

Hamilton Township
Warren County

Regular Audit

January 1, 2000-December 31, 2001

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET P.O. BOX 687
PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639
E MAIL: mbalcpa@bright.net



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Trustees
Hamilton Township
P.O. Box 699
7780 South State Route 48
Mainesville, Ohio 45039

We have reviewed the Independent Auditor's Report of Hamilton Township, Warren County, prepared by Balestra & Company, for the audit period January 1, 2000 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hamilton Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 25, 2002

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HAMILTON TOWNSHIP
WARREN COUNTY
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Hamilton Township
P.O. Box 699
7780 South State Route 48
Maineville, Ohio 45039

We have audited the accompanying financial statements of Hamilton Township, Warren County, Ohio, (the Township) as of and for the years ended December 31, 2001, and December 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Hamilton Township, Warren County, Ohio, as of December 31, 2001, and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company
Balestra & Company
April 26, 2002

HAMILTON TOWNSHIP
WARREN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only) Total</u>
Cash receipts:				
Local taxes	\$275,126	\$1,595,491	\$0	\$1,870,617
Intergovernmental	292,937	264,132	0	557,069
Interest	76,289	0	0	76,289
Charges for services	314,698	0	0	314,698
Fines, licenses, and permits	81,364	143,029	0	224,393
All Other Revenue	0	43,736	0	43,736
Special Assessments	0	64,652	0	64,652
Total cash receipts	<u>1,040,414</u>	<u>2,111,040</u>	<u>0</u>	<u>3,151,454</u>
Cash disbursements:				
Current:				
General Government	1,214,871	0	0	1,214,871
Public Safety	0	1,550,852	0	1,550,852
Public Works	0	512,421	0	512,421
Health	55,525	30,505	0	86,030
Miscellaneous	0	39,608	0	39,608
Debt Service:				
Redemption of principal	0	39,009	60,000	99,009
Interest	0	22,932	1,830	24,762
Capital outlay	<u>147,693</u>	<u>78,401</u>	<u>1,169,240</u>	<u>1,395,334</u>
Total Expenditure Disbursements	<u>1,418,089</u>	<u>2,273,728</u>	<u>1,231,070</u>	<u>4,922,887</u>
Total receipts over/(under) program disbursements	<u>(377,675)</u>	<u>(162,688)</u>	<u>(1,231,070)</u>	<u>(1,771,433)</u>
Other financing receipts/(disbursements):				
Transfers-in	0	0	149,758	149,758
Transfers-out	(149,758)	0	0	(149,758)
Advances-in	0	16,030	0	16,030
Advances-out	<u>(16,030)</u>	<u>0</u>	<u>0</u>	<u>(16,030)</u>
Total other financing receipts/(disbursements)	<u>(165,788)</u>	<u>16,030</u>	<u>149,758</u>	<u>0</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(543,463)	(146,658)	(1,081,312)	(1,771,433)
Fund cash balances January 1, 2001	<u>828,456</u>	<u>1,512,368</u>	<u>1,081,312</u>	<u>3,422,136</u>
Fund cash balances, December 31, 2001	<u>\$284,993</u>	<u>\$1,365,710</u>	<u>\$0</u>	<u>\$1,650,703</u>

The notes to the financial statements are an integral part of this statement.

HAMILTON TOWNSHIP
WARREN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2000

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
Cash receipts:				
Local taxes	\$231,405	\$1,563,253	\$0	\$1,794,658
Intergovernmental	320,427	253,702	0	574,129
Interest	20,348	0	0	20,348
Charges for services	155,436	57,508	0	212,944
Fines, licenses, and permits	58,946	63,915	0	122,861
All Other Revenue	102,977	37,718	0	140,695
Special Assessments	0	64,417	0	64,417
Total cash receipts	<u>889,539</u>	<u>2,040,513</u>	<u>0</u>	<u>2,930,052</u>
Cash disbursements:				
Current:				
General Government	803,200	61,022	0	864,222
Public Safety	0	1,286,118	0	1,286,118
Public Works	0	365,983	0	365,983
Health	51,146	21,795	0	72,941
Debt Service:				
Redemption of principal	184,375	36,819	0	221,194
Interest	5,964	25,122	0	31,086
Capital outlay	<u>156,089</u>	<u>48,842</u>	<u>1,618,688</u>	<u>1,823,619</u>
Total Expenditure Disbursements	<u>1,200,774</u>	<u>1,845,701</u>	<u>1,618,688</u>	<u>4,665,163</u>
Total receipts over/(under) program disbursements	<u>(311,235)</u>	<u>194,812</u>	<u>(1,618,688)</u>	<u>(1,735,111)</u>
Other financing receipts/(disbursements):				
Proceeds from sale of public debt				
Sale of bonds	<u>0</u>	<u>0</u>	<u>2,700,000</u>	<u>2,700,000</u>
Total other financing receipts/(disbursements)	<u>0</u>	<u>0</u>	<u>2,700,000</u>	<u>2,700,000</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(311,235)	194,812	1,081,312	964,889
Fund cash balances January 1, 2000	<u>1,139,691</u>	<u>1,317,556</u>	<u>0</u>	<u>2,457,247</u>
Fund cash balances, December 31, 2000	<u><u>\$828,456</u></u>	<u><u>\$1,512,368</u></u>	<u><u>\$1,081,312</u></u>	<u><u>\$3,422,136</u></u>

The notes to the financial statements are an integral part of this statement.

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

1. Summary of Significant Accounting Policies

A. Description of the Entity

Hamilton Township, Warren County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including maintenance of roads, police and fire protection, emergency medical services and cemetery maintenance.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund- This fund receives motor vehicle license tax money to construct, maintain and repair Township roads.

Gasoline Tax Fund-This fund receives gasoline tax money to construct, maintain and repair Township roads.

Road and Bridge Fund- This fund receives property tax money to maintain township roads and bridges.

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

Special Revenue Funds (Continued)

Police Fund- This fund receives tax levy monies for police salaries and police protection services.

Fire District Fund- This fund receives property tax money to provide fire protection through contracts with other governmental entities.

Emergency Medical Services- This fund receives property tax money to provide emergency medical services.

Lighting District Assessment Fund- This fund receives property assessment money to provide street lighting services.

Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds).

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level of control for the General Fund, and fund level of control for all other funds. Appropriations may not exceed estimated resources. The Township must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

2. Equity in Pooled Cash and Investments

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2001 and 2000 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ 654,223	\$1,152,561
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
Total deposits	<u>\$ 754,223</u>	<u>\$1,252,561</u>
Repurchase Agreement	<u>\$949,533</u>	<u>\$2,284,410</u>
Total Investments	<u>\$949,533</u>	<u>\$2,284,410</u>
Total Deposits & Investments	<u>\$1,703,756</u>	<u>\$3,536,971</u>
Reconciling Items	(53,053)	(114,835)
Carrying Amount	<u>\$1,650,703</u>	<u>\$3,422,136</u>

Deposits:

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (3) collateralized by the financial institution's public entity deposit pool.

Investments:

The repurchase agreement is held by Lebanon Citizens National Bank (of Ohio), and the investments included in this program are secured by pooled collateral of Lebanon Citizens National Bank (of Ohio). Average fund yield is computed before any bank fees are charged.

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2000 and 2001 was as follows:

2001 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,918,891	\$1,040,414	(\$878,477)
Special Revenue	3,795,089	2,127,070	(1,668,019)
Debt Service	1,241,477	0	(1,241,477)
Capital Projects	0	149,758	149,758
	<hr/>	<hr/>	<hr/>
Total	<u>\$6,955,457</u>	<u>\$3,317,242</u>	<u>(\$3,638,215)</u>

2001 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,918,891	\$1,583,877	\$335,014
Special Revenue	3,794,939	2,273,728	1,521,110
Debt Service	1,241,477	0	1,241,477
Capital Projects	0	1,231,070	(1,231,070)
	<hr/>	<hr/>	<hr/>
Total	<u>\$6,955,307</u>	<u>\$5,088,675</u>	<u>\$1,866,632</u>

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

3. Budgetary Activity, (Continued)

<u>2000 Budgeted VS. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,295,859	\$889,539	(\$1,406,320)
Special Revenue	2,973,478	2,040,513	(932,965)
Capital Projects	0	2,700,000	2,700,000
	<hr/>	<hr/>	<hr/>
Total	<u>\$5,269,337</u>	<u>\$5,630,052</u>	<u>\$360,715</u>

<u>2000 Budgeted VS. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,295,859	\$1,200,774	\$1,095,085
Special Revenue	3,037,729	1,845,701	1,192,028
Capital Projects	0	1,618,688	(1,618,688)
	<hr/>	<hr/>	<hr/>
Total	<u>\$5,333,588</u>	<u>\$4,665,163</u>	<u>\$668,425</u>

In 2001 and 2000, the Township had disbursements exceeding appropriations of \$1,231,070 and \$1,618,688, respectively, in the Capital Projects fund. This is in violation of the Ohio Revised Code Section 5705.41(B), which prohibits the expenditure of funds unless they have been properly appropriated. In 2000, the Township had appropriations exceeding estimated revenues in the fire escrow fund, EMS escrow fund, and police escrow fund by \$130,862, \$749,390 and \$340,198, respectively.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Township. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

5. Debt

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate:</u>
Township Administration Building Bonds	\$2,580,000	6.10%

The Township administration building bonds relate to capital expenditures for a new administration building for the Township.

Amortization of the above debt, including interest of \$2,471,415, if applicable, is scheduled as follows:

<u>Year Ending December 31:</u>	<u>Township Administration Building Bonds</u>
2002	\$ 493,710
2003	228,720
2004	224,145
2005	247,570
2006	241,287
2007-2011	1,112,190
2012-2016	956,115
2017-2021	797,735
2022-2026	640,660
2027	<u>109,283</u>
<u>Total</u>	<u>\$5,051,415</u>

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

6. Capital Lease

The Township entered into a capital lease in 1999 for the construction of a firehouse. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. The total present value of the minimum lease payments at the time of acquisition was \$445,950.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2001:

<u>Year Ending</u> <u>December 31:</u>	<u>Lease</u> <u>Payment</u>
2002	\$ 61,941
2003	61,941
2004	61,941
2005	61,941
2006	61,941
2007-2008	<u>123,882</u>
Minimum lease payments for capital lease	\$433,587
Less: Amount representing interest at the Township's incremental borrowing rate of interest	<u>87,193</u>
Present value of minimum lease payments	<u><u>\$346,394</u></u>

7. Retirement Systems

Ohio Police and Fire Pension Fund

The Township contributes to the Police & Firemen's Disability & Pension Funds (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The Township's contributions to OP&F for the years ending December 31, 2001 and 2000 were \$16,878 and \$14,162 respectively, equal to the required contributions for each year.

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

7. Retirement Systems, (Continued)

Post Retirement Benefits

The number of participants eligible to receive health care benefits as of December 31, 2000, the date of the last actuarial valuation available, are 12,853 for Police and 10,037 for firefighters. The portion of the employer contributions that were used to pay post employment benefits for 2001 and 2000 were \$11,764 and \$9,300 respectively.

OP &F's total health care expense for the year ending December 31, 2000, the date of the last actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

Public Employees Retirement System

All other full-time Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement calculation consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law program were placed in a newly named public safety division and continued to contribute at 9%. PERS contributions made by the Township amounted to \$66,043 and \$55,240 for years 2001 and 2000 respectively.

The 2001 employer contribution rate for local government employer units was 13.55% of covered payroll.

Post Retirement Benefits

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage for disability recipients and primary survivor recipients is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employer rate was 13.55% of covered payroll. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS. The number of active contributing participants was 411,076. The rates stated above are actuarially determined contribution requirements for PERS. The portion of employer contributions used to fund post-employment benefits for 2001 and 2000 were \$20,671 and \$17,290, respectively.

HAMILTON TOWNSHIP
WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

8. Risk Management

The Township has obtained commercial carrier insurance for the following risks: comprehensive property and general liability, public officials' liability, vehicles and errors and omissions.

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

9. Pending Litigation

The Township is party to legal proceedings. The Township is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Township.

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET P.O. BOX 687
PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639
E MAIL: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Hamilton Township
P.O. Box 699
7780 South State Route 48
Maineville, Ohio 45039

We have audited the accompanying financial statements of Hamilton Township, (the Township) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated April 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Governmental Auditing Standards*. Those reportable citations are described in the accompanying schedule of findings as items 2001-01, 2001-02 and 2001-03 and 2000-01. We also noted certain immaterial instances of noncompliance which we have reported to the management of the Township in a separate letter dated April 26, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected withing a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Township in a separate letter dated April 26, 2002.

Board of Trustees
Hamilton Township
P.O. Box 699
Maineville, Ohio 45039

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company
Balestra & Company

April 26, 2002

HAMILTON TOWNSHIP
WARREN COUNTY
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS:

Finding Number: 2001-01	<u>Amending or Supplementing Appropriations</u> Ohio Revised Code section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The District should have increased appropriations by amendment to the original appropriations, as actual expenditures exceeded appropriations in the capital projects fund by \$1,231,070 for 2001 and \$1,618,688 for 2000.
Finding Number: 2001-02	<u>Appropriations vs. Disbursements</u> In 2001, the Township had disbursements exceeding appropriations of \$1,231,070 in the Capital Projects Fund. In 2000, the Township had disbursements exceeding appropriations of \$1,618,688 in the Capital Projects fund. This is in violation of Ohio Revised Code Section 5705.41(B), which prohibits the expenditure of funds unless they have been properly appropriated.
Finding Number: 2001-03	<u>Increased Amended Certificates</u> Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. The actual receipts exceeded budgetary revenues in the capital projects fund by \$2,700,000 in 2000 and \$149,758 in 2001. The excess revenue was fully expended in both years.
Finding Number: 2000-01	<u>Appropriations Exceeding Estimated Revenues</u> Ohio Revised Code section 5705.39 requires that the total appropriation from each fund should not exceed the total estimated revenue. In 2000, the fire escrow fund, EMS escrow fund and police escrow fund had budgeted appropriations of \$130,862, \$749,390 and \$340,198, respectively, with no estimated resources having been budgeted.

CORRECTIVE ACTION PLAN:

FINDING NUMBER:	PLANNED CORRECTIVE ACTION:	ANTICIPATED COMPLETION DATE:	RESPONSIBLE CONTACT PERSON:
2001-02	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/02	Jaqualine Terwilleger, Township Clerk
2001-02	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/02	Jaqualine Terwilleger, Township Clerk
2001-03	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/02	Jaqualine Terwilleger, Township Clerk
2000-01	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/02	Jaqualine Terwilleger, Township Clerk

HAMILTON TOWNSHIP
WARREN COUNTY
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

SCHEDULE OF PRIOR AUDIT FINDINGS:

Finding Number	Finding Summary	Fully Corrected	Not corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-1998-001	Budgeted vs. Actual Expenditures	No	Not corrected. Original Finding initiated in 1998. See current year finding 2001-02.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

HAMILTON TOWNSHIP

WARREN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 16, 2002**